Morgan Stanley
AT WORK

Liquidity Trends

How Private Company Leaders Are Navigating Liquidity



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About the Research

The Liquidity Trends Survey was commissioned by Morgan Stanley at Work and executed in January and February of 2026 in partnership with 8 Acre Perspective, an independent research firm. Findings are based on multiyear research exploring liquidity trends among private companies.

The research reflects insights from 150 decision-makers at privately held companies offering equity compensation plans. Participation was limited to senior leaders involved in managing the day-to-day operations of the equity compensation plan and/or selection of the equity compensation plan provider/platform. All participating companies have raised venture capital (Series A+) with a focus on Series C+ companies (67% of respondents).

Executive Summary



SECTION 1

Liquidity is making equity a more powerful talent strategy

Equity compensation drives talent acquisition and retention, but its impact depends on employees' ability to realize value, prompting companies to integrate liquidity into their compensation strategy. Nearly all equity compensation decision-makers (99%) agree that providing liquidity opportunities supports talent strategies.



SECTION 2

Liquidity is becoming a core growth and stakeholder management tool

Private companies are no longer treating liquidity as a one-time event. Instead, it is becoming a core component of growth strategy, helping companies manage ownership complexity, prepare for future events and respond to stakeholder expectations. Sixty-nine percent say liquidity events are important to long-term growth, and 88% are feeling pressure to facilitate one. Many are pairing capital raises with company-sponsored liquidity events, such as tender offers, to provide structured, pre-IPO liquidity while maintaining control over timing and participation.



SECTION 3

Many companies face a liquidity readiness gap

While most organizations have taken some steps to prepare for a liquidity event, 25% of equity compensation decision-makers feel unprepared, and another 49% feel just somewhat prepared. Challenges span financial, regulatory and executional areas, with top concerns including tax implications (48%) and participant education (44%). Successful execution depends on early planning, cross-functional coordination, and the effective use of internal and external partners.



SECTION 4

Employee guidance is critical to making liquidity successful

As liquidity strategies evolve, successful execution expands beyond issuer considerations. On average, private companies estimate that 41% of their employees struggle to connect liquidity events to their financial plans, and 37% struggle with tax implications. Providing financial guidance, clear communication and accessible support is critical to helping employees make informed decisions and realize value.

1 Liquidity is making equity a more powerful talent strategy

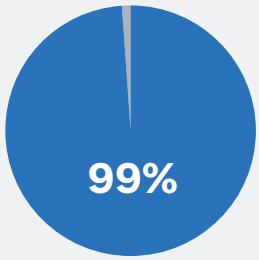
Equity compensation plays a central role in how private companies attract, retain and motivate talent, with a growing number of these companies offering it. Beyond rewarding performance, it aligns employees with long-term business performance and growth.

Liquidity is what makes equity meaningful

While the use of equity compensation is growing, its impact depends on employees' ability to convert that equity into liquidity.

When companies provide a clear and credible path to liquidity, employees can better understand the value of their equity and how it fits into their broader financial picture.

As a result, liquidity plays a key role in shaping how equity delivers value. It should not be viewed as a discrete or distant event, but as an important component of equity compensation and a broader talent strategy.



Agree providing liquidity options for employees helps attract and retain top talent (54% strongly agree)

The employer perspective: aligning equity, liquidity and talent outcomes

As private companies compete for talent, equity remains a key differentiator. Unlike traditional financial incentives (e.g., salaries, bonuses, profit-sharing), equity compensation encourages employees to think and act like an owner, fosters retention through vesting, and offers long-term wealth potential through equity growth. As a result, private company leaders rely on equity compensation to:[1]

- Align employee and company goals
- Reward contributions and performance
- Support retention and reduce turnover
- Foster a culture of ownership and accountability

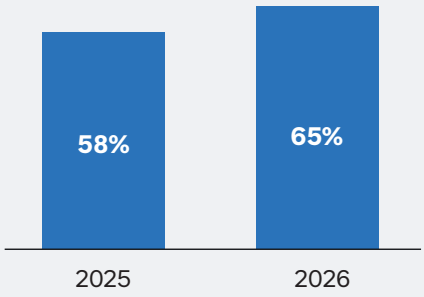
As companies expand their equity programs, access to liquidity is an important consideration for maximizing the impact of equity compensation.

The employee perspective: from ownership to financial outcomes

For employees, equity represents an opportunity to participate in the company's growth and share in the value they help create. When paired with a clear path to liquidity, equity can:

- Provide wealth building potential beyond salaries and bonuses
- Reinforce a sense of shared purpose, encouraging long-term commitment
- Enable financial flexibility at key life stages
- Strengthen employees' sense of value and belonging

OFFERS EQUITY COMPENSATION TO NON-EXECUTIVE EMPLOYEES



Expanding equity participation across the organization

Many private companies offer equity participation across their organizations, with the number of companies offering it to non-executive employees increasing. This broader approach reflects recognition that ownership can drive engagement, productivity and commitment across the workforce.

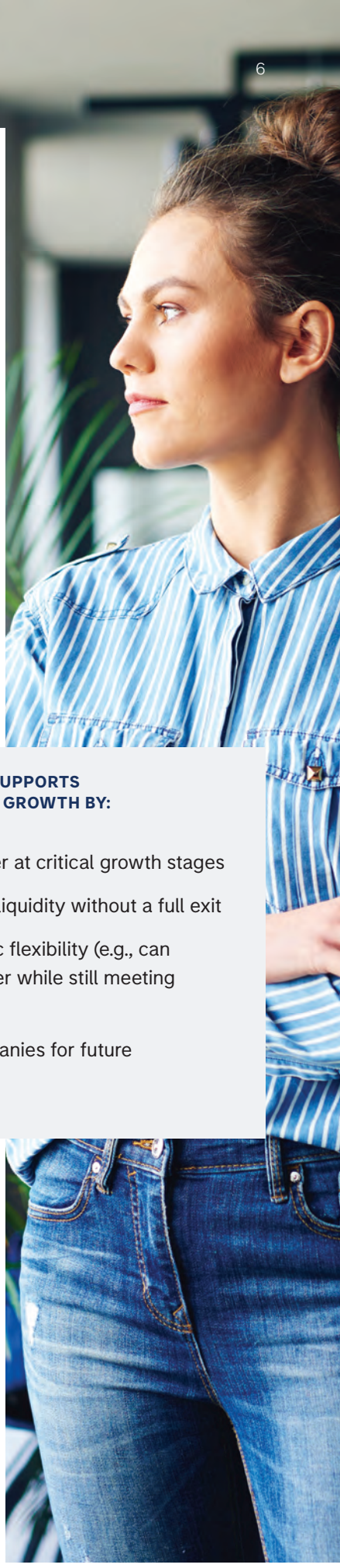
Corporate Liquidity Events and Strategies

Companies can choose from various corporate liquidity events and strategies. The event that a firm ultimately selects is influenced by a variety of factors, including valuation, cash flow and overall business goals.

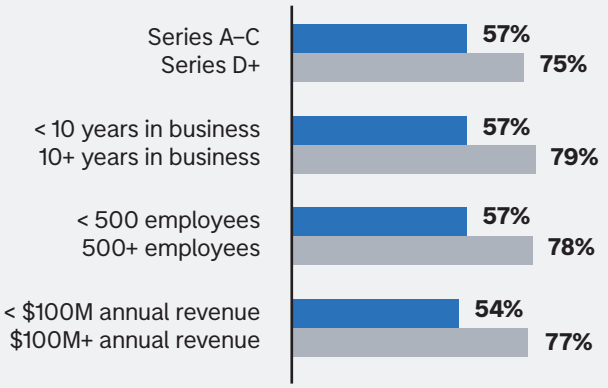
- Tender offer
- Direct secondary sales
- Company organized donor-advised funds
- Private share lending
- Initial public offering (IPO)
- Mergers and acquisitions
- Special purpose acquisition companies (SPAC)
- Direct listings

2 Liquidity is becoming a core growth and stakeholder management tool

Private companies use liquidity events to unlock value for employees and investors while advancing strategic goals like employee retention, cap table management and long-term growth. Sixty-nine percent of equity compensation decision-makers agree that facilitating liquidity events is important to achieving their company's long-term growth goals. Agreement is significantly higher among larger and more mature companies, likely reflecting the increasing complexity and stakeholder expectations that come with scale.



FACILITATING LIQUIDITY EVENTS IS IMPORTANT TO ACHIEVING COMPANY'S LONG-TERM GROWTH GOALS (% AGREE)



LIQUIDITY SUPPORTS LONG-TERM GROWTH BY:

- Reducing turnover at critical growth stages
- Providing partial liquidity without a full exit
- Enabling strategic flexibility (e.g., can stay private longer while still meeting investor needs)
- Positioning companies for future capital raising

Top factors cited by equity compensation decision-makers for holding liquidity events are:

67%
To attract and retain talent

53%
Investor demand to purchase shares

52%
To help employees diversify their personal finances

50%
Shareholder requests/pressure to deliver liquidity

While supporting talent strategies and investor relations are top drivers, private companies may also be considering other strategic reasons for pursuing liquidity events, including:

- Meeting excess investor demand during or alongside a primary fundraising round
- Streamlining the cap table by reducing the number of smaller, early-stage or former employee shareholders, often in preparation for an IPO
- Enhancing fundraising appeal by demonstrating a track record of providing liquidity to shareholders
- Supporting succession planning or founder transitions, especially among more mature companies

> *"Before we commit to a broader exit timeline, we want to provide some sense of relief to employees holding shares."*
>
> — **Associate Vice President of HR, Private Company, Series C,** $400M -<$1B valuation, 100-199 FTE

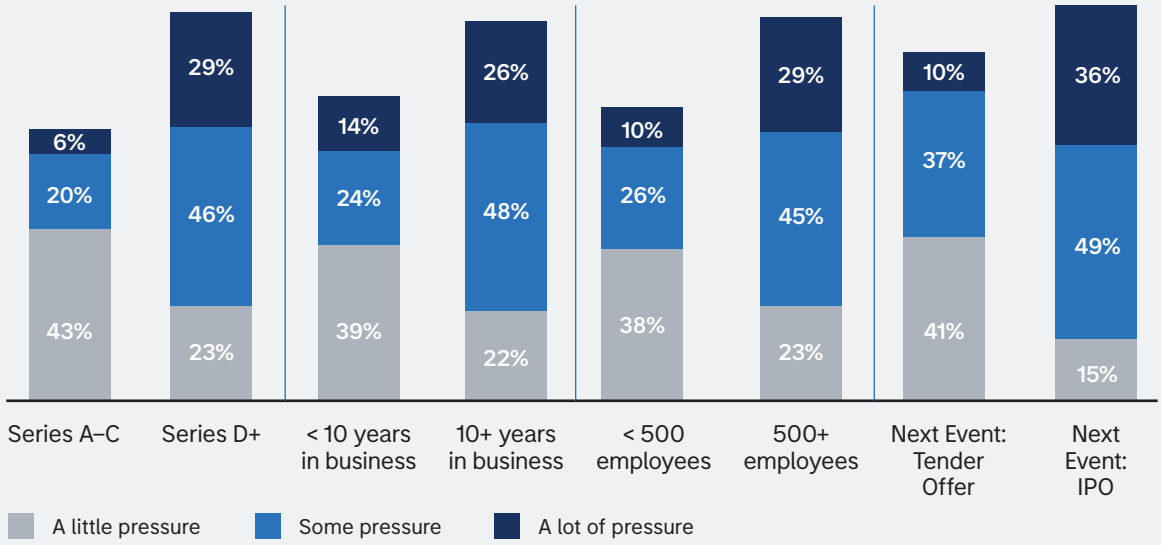


Pressure to provide liquidity is more intense among mature companies

Eighty-eight percent of equity compensation decision-makers are feeling pressure to facilitate a liquidity event, driven primarily by investors and employee owners. Fewer are feeling pressure from their board or executive leadership team.

Larger (500+ employees), more mature (10+ years in business) and late-stage (Series D+) companies, and those pursuing an IPO as their next liquidity event, are more likely to feel significant pressure compared to younger, smaller and earlier-stage firms. This likely reflects a combination of more tenured investors seeking returns and a broader base of employees with vested equity, both of which can increase demand for liquidity over time.

TO WHAT EXTENT ARE YOU FEELING PRESSURE TO FACILITATE A LIQUIDITY EVENT?



"We see this [tender offer] as a way to bring down some pressure while continuing to operate independently for a while."

— **Vice President-Human Resources, Private Company, Series E,** $1B -<$5B valuation, 500-999 FTE, ultimate goal is IPO, next event is tender offer

"[We are planning a tender offer] to provide a controlled path for partial liquidity without disrupting leadership and operational continuity."

— **CFO, Private Company, Series F,** $1B -<$5B valuation, 200-499 FTE, ultimate goal is M&A, next event is tender offer

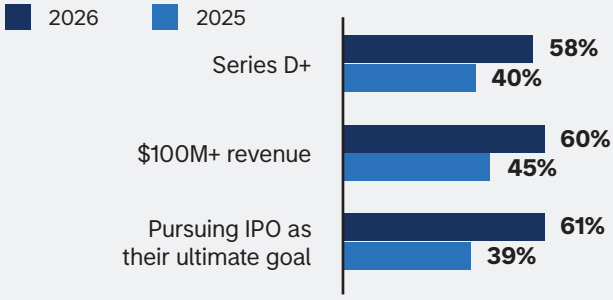
Many private companies plan to couple their next capital raise with a liquidity event, with this trend increasing for larger, later-stage firms

Two-thirds of private companies plan to raise capital while still private; this percentage has increased over the past year for:

- Late-stage companies (Series D+)
- Companies with $100M+ in annual revenue
- Companies pursuing IPO as their ultimate goal

Ninety-six percent of companies planning to raise capital plan to do so in the next two years.

PERCENT PLANNING TO RAISE CAPITAL

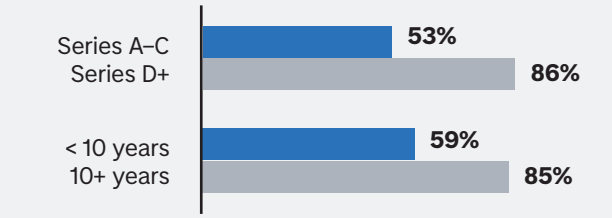


Among those planning to raise capital, 71% plan to offer employee liquidity alongside the capital raise.

This percentage rises to 83% among those feeling a lot of pressure and 80% of those who feel more prepared to do so.

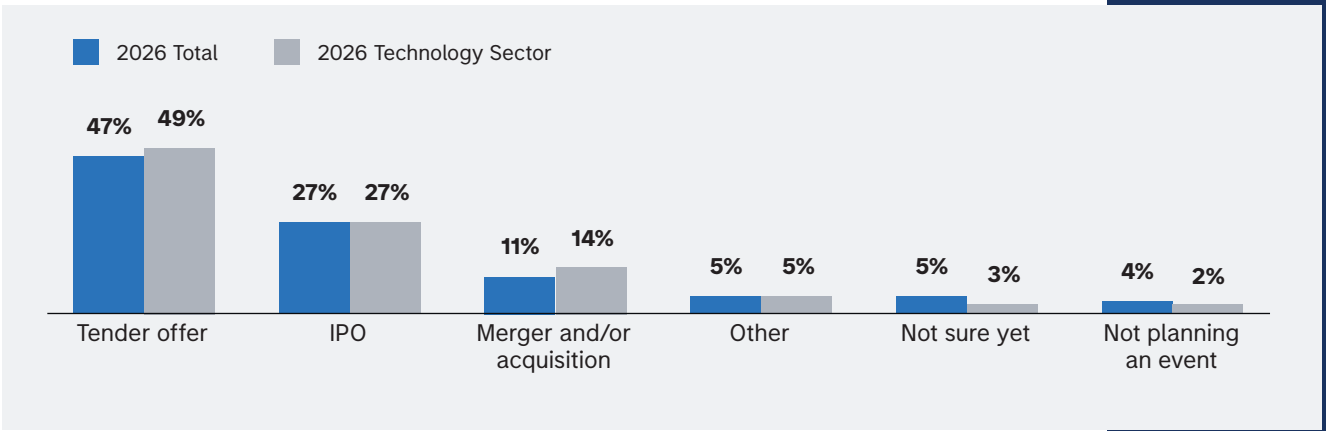
Offering employee liquidity alongside a capital raise is more common at more mature and later-stage companies, where longer time in private markets and growing employee and investor expectations make liquidity a more immediate priority.

PERCENT PLANNING TO OFFER EMPLOYEE LIQUIDITY WITH NEXT CAPITAL RAISE



Tender offers lead as the next liquidity event and are gaining traction in the technology sector

The percentage of private companies planning for a tender offer as their next liquidity event is higher this year versus last year for technology companies (49% from 34% in 2025).



Tender offers are a common near-term liquidity strategy

While IPOs remain the long-term objective for many companies, tender offers are the most-used structured liquidity event while a company remains private, and companies are increasingly using them to provide interim liquidity.

Tender offers are gaining traction where liquidity pressure is rising and traditional exit options remain out of reach

Tender offer use has increased over the past year among key groups that share a common dynamic: growing pressure to provide liquidity without a clear or immediate path to exit.

For more mature companies, this pressure reflects accumulated expectations from employees and investors over time. In the technology sector, broader equity participation and longer private life cycles amplify this need. At the same time, smaller and earlier-stage companies may be adopting tender offers as an interim solution prior to a future IPO or acquisition.

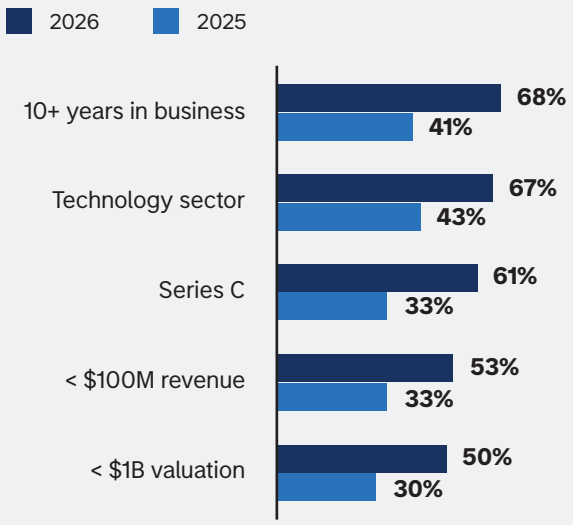
Together, these patterns reinforce the role of tender offers as a flexible tool for bridging the gap between rising liquidity demand and delayed exit timelines. This includes tender offers that are being used alongside planned IPOs, with companies targeting public markets in the next 1–2 years conducting large-scale transactions to provide interim liquidity.

> *"While staying private, tender offers help us manage long standing equity expectations across the cap table."*
>
> — **Chief Human Resources Officer, Private Company, Series D,** $1B -<$5B valuation, 200-499 FTE

54% *of private companies report having conducted a tender offer previously (up from 40% in 2025)*

47% *say their next liquidity event will be a tender offer*

HAD A TENDER OFFER IN THE PAST: TYPES OF COMPANIES SHOWING YOY INCREASE



DIRECT SECONDARY SALES IS ANOTHER APPROACH PRIVATE COMPANIES TAKE TO PROVIDE LIQUIDITY

48% of private companies surveyed allow direct secondary sales; it is more common among larger firms:

- 500+ employees (56%)
- $100M+ annual revenue (57%)

Most (96%) restrict who can participate:

- 75% restrict based on share class
- 38% restrict on valuation criteria

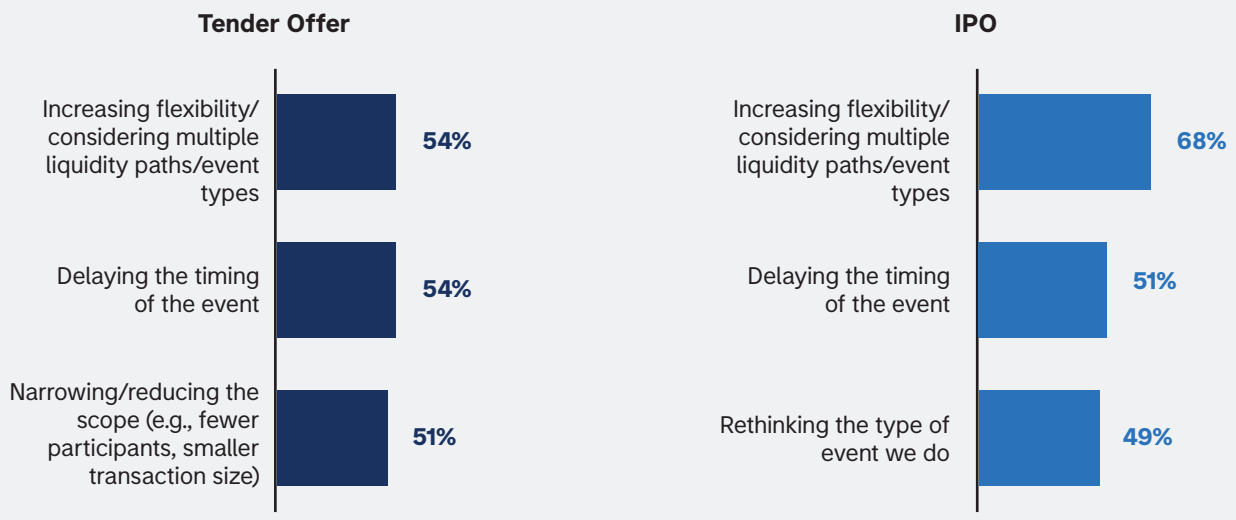
Liquidity event timing is a key factor equity compensation decision-makers must evaluate.

Equity compensation decision-makers weigh multiple factors when determining the optimal timing for their liquidity event, including:

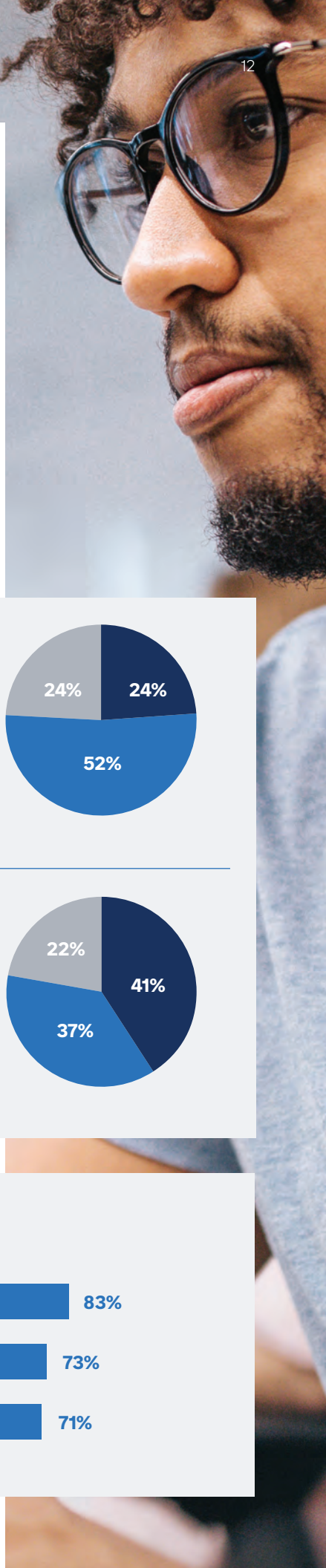
- Fundraising plans/capital needs
- Revenue/cash flow
- Availability of cash on the balance sheet to fund the event
- Pressure from shareholders
- Business valuations
- Market/economic conditions

Survey respondents are rethinking the timing and structure of liquidity events in response to the macroeconomic environment. Across both tender offers and IPOs, organizations are placing greater emphasis on flexibility, considering multiple pathways rather than a single approach, and/or accelerating or delaying timing given market volatility. These dynamics can vary by industry, reflecting differences in market exposure and growth trajectories.

IMPACT OF MACROECONOMIC ENVIRONMENT ON PLANNING FOR NEXT LIQUIDITY EVENT



> *"Tender offers, IPOs and other liquidity events take a lot of time and planning. They also tend to be dynamic events, where deal structure is iterative until closer to the event launch date, when everything comes together."*
>
> — **Emiley Jellie,**
> Managing Director, Head of Private Company Liquidity for Morgan Stanley Private Markets



3 Many companies face a liquidity readiness gap

Preparing for a liquidity event requires careful planning and strategic decision-making. Yet, just one in four (26%) equity compensation decision-makers feel very prepared to facilitate a liquidity event, while another quarter feel unprepared.

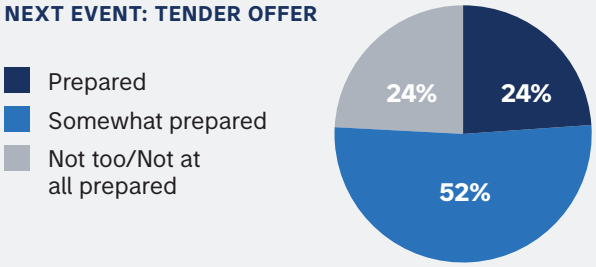
Companies planning for an IPO tend to feel more confident than those planning for a tender offer, likely because they are more established. For example, more of those planning for an IPO:

- Are Series D+ (90% vs. 58% of those planning tender offers)
- Have $1B+ valuation (98% vs. 72% of those planning tender offers)
- Have $100M+ annual revenue (93% vs. 54% of those planning tender offers)
- Are closer to achieving their long-term goals (80% vs. 33% of those planning tender offers)

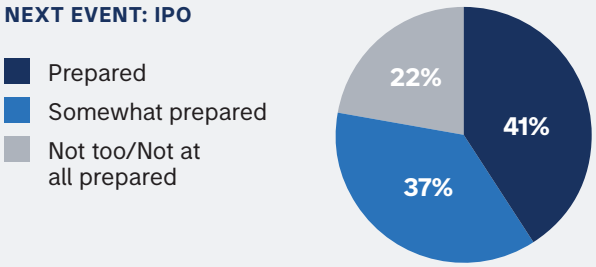
Equity compensation decision-makers' liquidity event concerns span several categories:

- Financial (fair valuation, ability to fund buyback, tax implications, etc.)
- Regulatory (requirements, disclosures, etc.)
- Execution (administration, timing, costs, participation, etc.)
- Employee/shareholder concerns (internal alignment, meeting expectations, etc.)

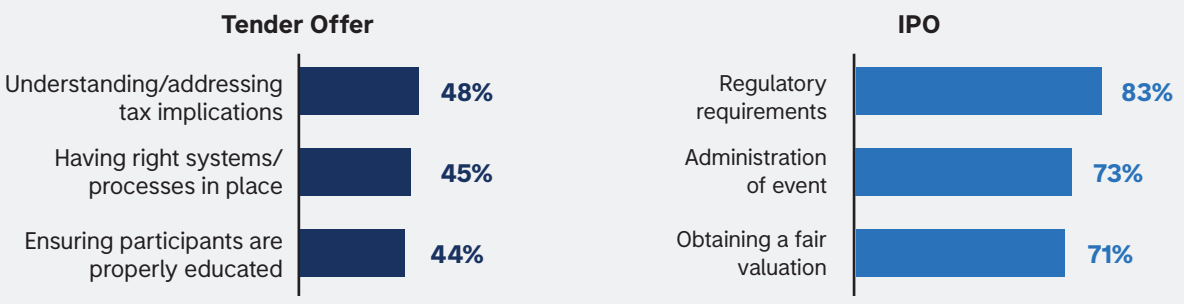
NEXT EVENT: TENDER OFFER



NEXT EVENT: IPO

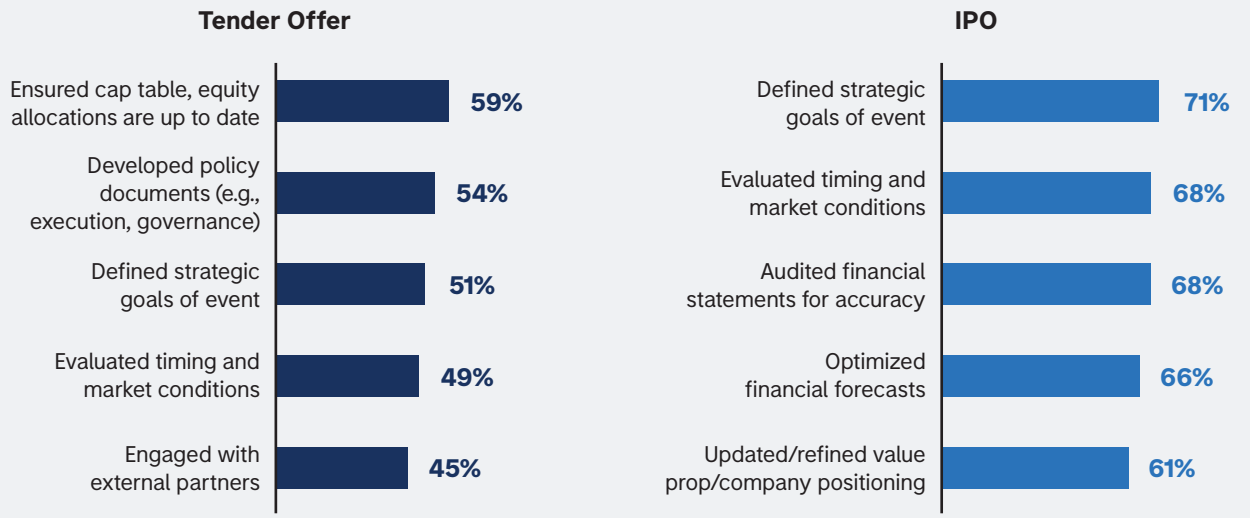


TOP CONCERNS ABOUT CONDUCTING NEXT LIQUIDITY EVENT



All equity compensation decision-makers have taken some steps, often with the support of experienced partners, in preparation for a future liquidity event. The most common steps, which vary by event type, are shown below.

MOST COMMON STEPS TAKEN IN PREPARATION FOR NEXT LIQUIDITY EVENT (TOP 5)



Liquidity event decisions involve cross-functional leadership

Liquidity event decisions require coordination across finance, executive leadership, HR and legal. CFO and CEO involvement reflects the financial and strategic stakes, while HR and legal participation underscores the importance of employee impact and regulatory considerations.

These events also involve external partners, including investment banks, legal advisors, cap table and equity plan providers who support valuation, structuring, execution and compliance.

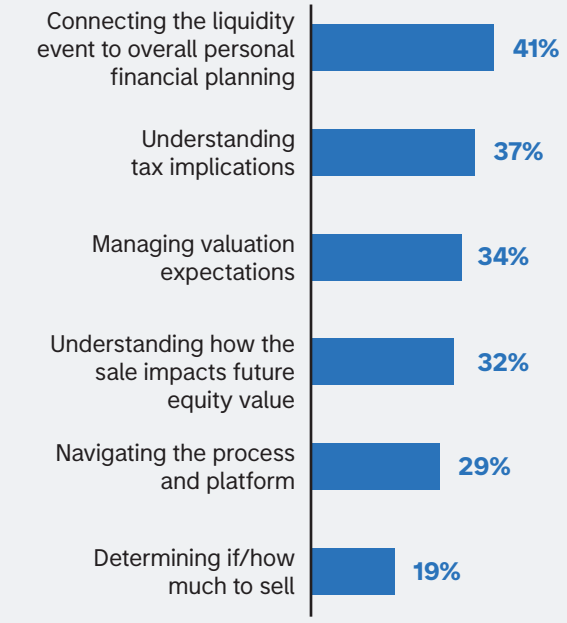
Managing multiple internal and external parties can add complexity and extend timelines, making early planning, experienced partners and clear communication critical to successful execution.

4 Employee guidance is critical to making liquidity successful

While liquidity events provide employees the opportunity to realize the value of their equity, they also introduce complexity. Employees commonly struggle with connecting liquidity events to their financial plans, which suggests the challenge is not access to liquidity itself but making informed decisions once that access is available. Additional challenges, such as understanding valuations and the impact of selling equity on future value, reinforce the consequential decisions employees face during these events.

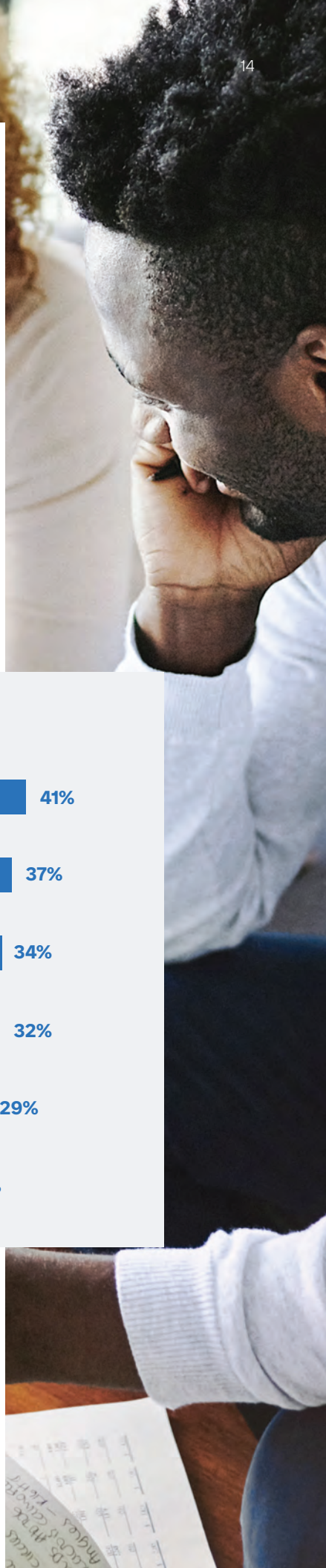
As a result, employee education is a critical focus area. Organizations recognize that without adequate support, employees may feel uncertain or overwhelmed, which can limit participation, reduce perceived value and create a less positive overall experience. Companies that invest in a comprehensive support model combining financial guidance, clear communication and accessible support are better positioned to deliver a positive employee experience.

TOP CHALLENGES FOR EMPLOYEES PARTICIPATING IN LIQUIDITY EVENTS



> *"The anxiety from making complex choices could be reduced by receiving personalized guidance from a financial or tax advisor."*
>
> — **Chief Financial Officer, Private Company, Series D,** $1B -<$5B valuation, 200-499 FTE on support/resources employees need

> *"The equity employees hold is extremely personal to them. They've invested a lot of time in the company's success, and it's up to issuers to provide them with access to the right education and financial resources to help employees meet their financial goals."*
>
> — **Shawn Murphy,**
> Head of Morgan Stanley at Work Private Markets



Today many companies are actively planning for liquidity events as part of a capital raise, either to support staying private long term or while on the path to an IPO. Still, executing a successful event requires careful planning, cross-functional coordination and the right guidance. Specific steps private company decision-makers can take to ensure a successful event include:

Assemble a Team of Experienced Advisors	Conduct a Comprehensive Business Valuation	Ensure Financial and Legal Preparedness
▪ Investment bankers ▪ Attorneys ▪ Tax advisors ▪ Wealth managers	▪ Foundation for negotiations ▪ Set realistic expectations	▪ Accurate and up-to-date financial records (e.g., cap table, option grants)

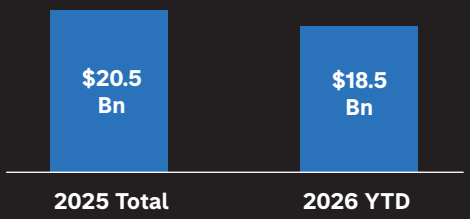
Evaluate Market Conditions	Develop a Clear Communication Strategy	Plan for Post-Liquidity Wealth Management
▪ Market trends ▪ Economic indicators	▪ Employees ▪ Investors ▪ Other stakeholders	▪ Investment strategies ▪ Tax implications

Morgan Stanley at Work brings the expertise and solutions to help private companies get liquidity right. Our Private Markets team understands the complexities in equity needs that high-growth companies face and the value of a well-structured liquidity event. Our broad suite of technology and financial solutions is designed to help propel private companies through varying development stages—whether it's preparing for the next investment round, continuing private growth or going public. We believe that with more transactional choice and improved preparedness, private companies can better navigate and be ready for whatever comes next.

Private-Market Liquidity Events: Morgan Stanley at Work Statistics

Transactional Volume:

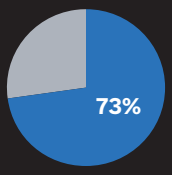
2026 YTD volume on MSatWork platform suggests a significant uptick in private-company liquidity transactions



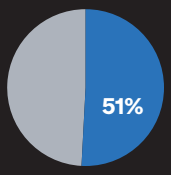
2025 Tender Offers:

47,440 participants

Average Subscription Rate



Average Participation Rate



Eligibility:

In the most common scenario, companies are allowing current employees to sell between **20–30% of vested equity**.

There is an emergence of companies **capping individuals to a specific dollar amount,** which varies across transactions.

Both **current and ex-employees are typically eligible to sell**; however, current employees are favored in an oversubscribed offering.

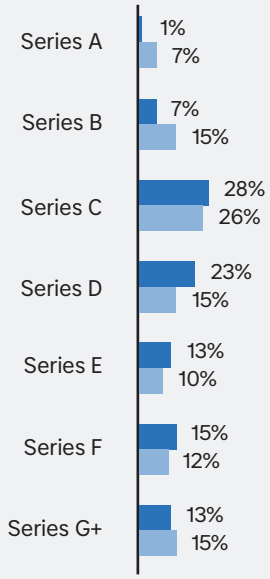
You have a vision. We have a plan.

Morgan Stanley at Work is here to support your growth initiatives.
To learn more about our Private Market Solutions, please contact us.

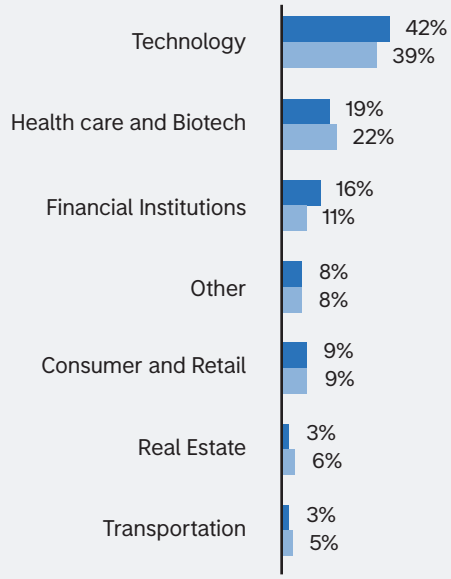
Participant Demographics

2026 2025

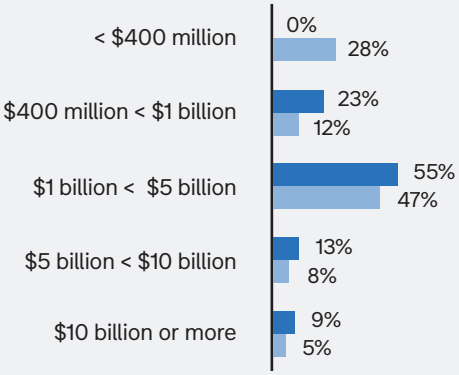
Fundraising Stage



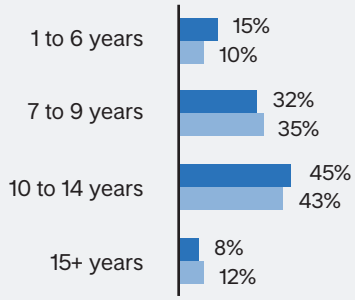
Industry



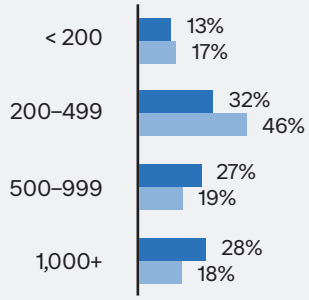
Company Valuation



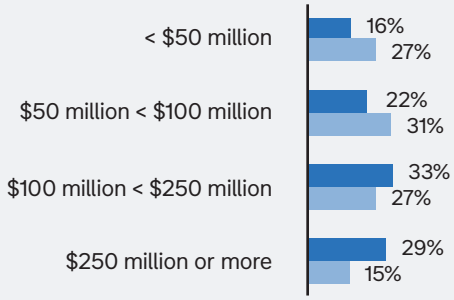
Company Age



Full-Time Employees (FTEs)



Company Annual Revenue





Sources
[1] Morgan Stanley at Work Equity Compensation Plan Research Study, January 2025; private companies only

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